

Schedule of Federal Audit Findings and Questioned Costs

Pomeroy School District No. 110 Garfield County September 1, 2008 through August 31, 2009

1. The Pomeroy School District's internal controls are inadequate to ensure compliance with federal suspension and debarment requirements.

CFDA Number and Title:	10.553 School Breakfast Program 10.555 National School Lunch program
Federal Grantor Name:	U.S. Department of Agriculture
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of the Superintendent of Public Instruction
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

Recipients of federal grants are prohibited from contracting with or making sub-awards to parties that are suspended or debarred from doing business with the federal government. If a vendor certifies in writing that it has not been suspended or debarred, the grantee may rely on that certification. Alternatively, the grantee may check for suspended or debarred parties by reviewing the federal Excluded Parties List System issued by the U.S. General Services Administration. This requirement should be met prior to the first payment to the vendor.

Description of Condition

The District did not verify that a vendor was not suspended or debarred prior to releasing federal funds.

We noted one instance in which the District should have ensured the vendor was not suspended or debarred from receiving federal grant funds. The District paid this vendor \$33,281.

Cause of Condition

The District has administered a child nutrition program for many years; however, this was the first year in which payments to a single vendor exceeded \$25,000 and the requirement was applicable. District employees responsible for ensuring compliance with federal regulations were not aware of the requirement to verify suspension and debarment for vendors.

Effect of Condition and Questioned Costs

The District cannot ensure it paid federal funds to vendors that were eligible to participate in the federal program. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency. However, we were able to verify the vendor was not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the District establish and perform procedures related to suspension and debarment requirements to ensure vendors are eligible to receive federal funds. Additionally, we recommend appropriate employees received grant training to ensure they are knowledgeable of grant requirements.

District's Response

Procedures are being enacted that will ensure that the Excluded Parties List System EPLS is reviewed and a copy of the web page showing the search results and search date will be printed and kept in the grant files. If the District should enter a formal grant related agreement with a vendor, we will ensure the contract language includes an assertion that the party is not suspended or debarred.

Auditor's Remarks

We appreciate the District's commitment to resolving this issue. We will review the condition during our next audit.

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300, states in part:

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.